

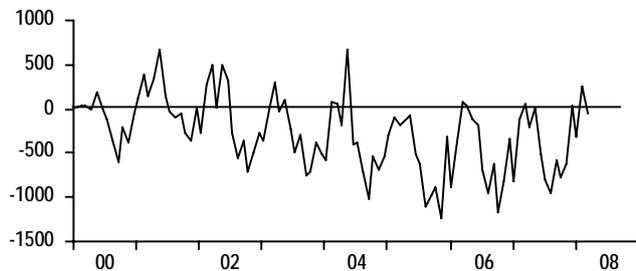
## New Zealand economic update

### March trade balance

New Zealand's trade balance fell into deficit unexpectedly in March, recording a deficit of NZ\$50 million (JPMorgan NZ\$350 million, consensus NZ\$395 million), following a surplus of NZ\$258 million in February.

New Zealand: trade balance

NZ\$ million, nsa

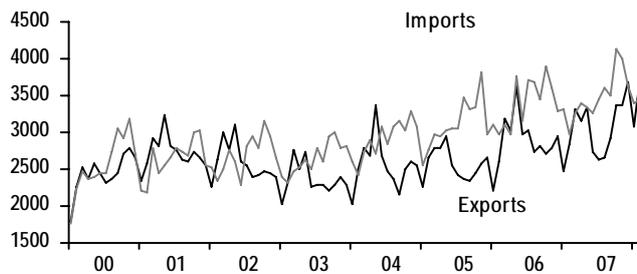


The unfavourable trade position emerged from a sharp moderation in export growth. Bucking expectations, export growth slowed steeply in March, from 30.7% oya in February to 3.7%. Shipments of milk powder, butter and cheese (+27% oya), and crude oil (+355%) were up. The value of crude oil exports, though, is at its lowest in eight months, when production started from the Tui oilfield, according to Statistics New Zealand (SNZ). Higher exports of dairy products and crude oil were, however, offset by a decline in exports of all other commodities of a combined 5.2% oya. Making the largest negative contribution was the aircraft and parts group, down 88.1% oya.

The moderation in import growth was less severe, but largely expected given the recent weakness in domestic demand. Following a 16.2% oya rise in the previous month, imports were up 7.1% in March on the back of imports of petroleum and related products (+54%). According to SNZ, imports of food residues, wastes and fodder rose for the fifth straight month (+81.9% oya), a trend attributed to the recent drought.

### New Zealand: exports and imports

NZ\$ million, nsa



Indeed, the drought has pushed up feed costs, affecting both the dairy and meat industries. Prices have already fallen in the meat industry on the back of Australia's severe drought, which induced culling—boosting supply and leading prices lower. The dairy industry also has suffered, although a record-high dairy payout to farmers is cushioning the blow. Still, the impact of the recent drought on dairy output remains a key downside risk to the export outlook, as is a sharper than expected slowdown in global demand.

- The trade deficit of NZ\$50 million was only the second March deficit recorded in this decade.
- In the 12-months ending March, the seasonally adjusted trade deficit rose to NZ\$4.53 billion from NZ\$4.42 billion in the year through February.
- The NZD fell from \$0.7859 prior to the release of the trade data to \$0.7830 shortly after.

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